

Compilation of Email and Written Comments
Received by Facilitation Team (May 19, 2005 – May 20, 2005)

Council has received many comments from constituents on this issue which stress the belief that vacation rentals have caused the shortage of low income housing on the island. In the Council's report it is plainly stated:

From 1990-2000, no town lost long-term rentals due to increased short-term rentals.

Subsequently, there has been an increase in all types of housing on the island, according to the report. I guess it bears repeating: vacation rentals do not and did not cause or exacerbate the shortage of low income (or any other type of) housing on Kauai. Saying otherwise is, if the report is to be believed, simply untrue.

What is true, however is that housing costs have escalated dramatically. Not only on Kauai, but in every attractive location in the State, and the whole country. Prices have climbed even faster in some places than on Kauai. I think it's clear that this had nothing to do with vacation rentals, though. Higher property values are always a double edged sword. Those who own property (including all the local residents who own property, of course) are probably not complaining that their homes are worth more. Unfortunately, those who do not own property find ownership a difficult prospect, when prices go up. Eliminating vacation rentals won't change that, though.

It's also apparent that there is a shortage of low income housing on Kauai. This should definitely be addressed, and a number of creative ways of doing so have been presented. They all boil down to "build more affordable housing". That sounds like a good idea, and I wonder why there is not more emphasis placed on this possible solution to the housing shortage.

Also, I think that it would be a mistake to underestimate the positive impact of the vacation rental market. My wife and I decided to rent our home (which I built after Iniki claimed the three-unit property I owned at that time) as a vacation rental, since we wished to be able to return to the island from time to time, until we can return permanently. Last year we paid Excise and Transient Accommodation taxes of nearly \$8,400.00. Certainly it's true that if one operates a vacation rental, one should pay the applicable taxes. I think most who operate a vacation rental do, but surely the way to achieve tax law compliance is not to outlaw the business (which penalizes those who do pay their taxes).

In addition to the taxes (which are dollars brought to the local economy from visitors, after all) maintenance and the other costs of operating our property result in the bulk of revenue being put back into the local economy. We buy furnishings, appliances, support numerous tradesmen (electricians, plumbers, handymen, painters, cleaning services -- to name a few), and the reservation staff that works for our property management company are all local residents. We paid about \$50,000.00 for this overhead last year. Then of course we have to pay property taxes, insurance and mortgage payments to the banks. These last payments have to be made whether or not the property is rented, regardless of whether its a long term rental or a vacation rental, but the other costs are directly linked

to the house being a vacation rental. While staying at our home, guests contribute further to the local economy by eating at restaurants, buying groceries, gasoline and otherwise spending their vacation dollars in Kauai. I don't think anyone is getting rich by owning a vacation rental home. I know we are not, although a lot of money does pass through our hands on its way into the local economy.

People stay in vacation rentals as an alternative to hotels for different reasons, but in my own experience, I found hotels unacceptable for travel with small children. It's simply not possible to get kids into a restaurant for three meals a day, and vacations were no fun unless we stayed in vacation rentals. So, I can say with certainty that my family would be taking its vacation dollars to a different destination if we could not find suitable, affordable accommodations on Kauai. I guess that would be fine with some folks, but as tourism is Kauai's primary source of revenue, I wonder if it would really be good for Kauai.

In summary: more long term low income housing: good; collecting TA and Excise taxes: good; eliminating vacation rentals: bad.